

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF

DUKE ENERGY FIELD SERVICES, LP
MULTI-PARISH

AI #106604; 33501; 84966; 27985; 27984;
94747

PROCEEDINGS UNDER THE
LOUISIANA ENVIRONMENTAL
QUALITY ACT,
La. R.S. 30:2001, ET SEQ.

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ENFORCEMENT TRACKING NO.
AE-CN-03-0052

SETTLEMENT AGREEMENT

The following Settlement Agreement is hereby agreed to between Duke Energy Field Services, LP (“DEFS”) and the Louisiana Department of Environmental Quality (the “Department”), under the authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, *et seq.* (“the Act”).

I.

DEFS owns and/or operates multiple oil and gas facilities located throughout the State of Louisiana, including those listed in Tables 1 and 2 of this Agreement and as otherwise described in Paragraph V of this Settlement Agreement.

II.

On March 31, 2003, the Department issued DEFS Consolidated Compliance Order & Notice of Potential Penalty AE-CN-03-0052 (the “Compliance Order”), which was based upon the following findings of fact:

DEFS failed to obtain approval from the permitting authority prior to the construction,

modification, or operation of each facility listed in Table 1 which ultimately resulted in an initiation or increase in emissions of air contaminants. Each failure to obtain prior approval from the permitting authority for the construction, modification, and/or operation of the facility is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

Table 1

Facility	Parish
Antioch Compressor Station	Claiborne
Cadeville Compressor Station	Ouachita
Calhoun Dehy Station	Ouachita
Carlton Metering Station	Ouachita
Colvin D-1 Receiving Station	Lincoln
Continental Group M Metering Station	Lincoln
Dugdale Metering Station	Lincoln
Grambling Drip Point No. 1 Station	Lincoln
Hico Knowles Compressor Station	Lincoln
Hico Texas Drip Point	Lincoln
J.T. Daniels Drip Point	Webster
James B-2 Metering Station	Lincoln
Leton Compressor Station	Webster
Middle Fork Compressor Station	Claiborne
Roberts Drip Point	Webster
Rocky Branch Drip Point	Union
Ruston Gas Plant	Lincoln
Spinks Metering Station	Lincoln
TETCO Interconnect Drip Point	De Soto
Wheeles O'Neal Metering Station	Lincoln
Young Compressor Station	Lincoln

III.

In response to the Compliance Order, DEFS made a timely request for a hearing. The Department and DEFS subsequently entered into a dispute resolution agreement in an attempt to amicably resolve the issues set forth in the Compliance Order.

IV.

While conducting a retroactive review as required by Paragraph II of the compliance order portion of the Compliance Order, DEFS discovered additional facilities for which it may have failed to obtain approval from the permitting authority prior to the construction, modification, or operation

of each facility. A list of these facilities is set forth in Table 2.

Table 2

Facility Name	Parish
Evergreen Drip Station	Webster
El Paso Panda Drip Station	Bienville

V.

The Enforcement Division within the Department's Office of Environmental Compliance has received various referrals concerning other alleged compliance issues at DEFS facilities in Louisiana (the "Referrals"). These include the permit deviations more fully described below:

- A. Shongaloo No. 1 Compressor Station--AI No. 33501; Permit No. 3080-00126-01; Incident Number T-61685; June 9, 2003. Compressor engine E.P. C-1 was removed and a new compressor engine, Waukesha 7042 GU, was installed. An Application for the new compressor engine was submitted to the Department in August 2002. Due to miscommunication, the new compressor engine started before the permit was issued by the Department. The new compressor ran from April 4, 2003 to May 28, 2003, resulting in the unauthorized release of 3.83 tons of NO_x.
- B. Ada No. 2 Compressor Station--AI No. 84966; Permit No. 0360-00022-V3. During 2002, Ada No. 2 Compressor Station exceeded its emission limit for VOCs from emission sources E-4 and E-5 by .13 tons per year each and also exceeded its authorized condensate through-put by 2159 barrels per year. DEFS noted this occurrence in its April 7, 2003 permit exceedance notification letter to the Department, its Title V annual compliance certification form (01/01/02 to 12/31/02), and its Title V semiannual compliance certification form (07/01/02 to 12/31/02).
- C. Minden Gas Plant --AI No. 27985; Permit Nos. PSD-LA-614 and 3080-00004-V3. During 2002, Minden Gas Plant exceeded its emission limit for VOCs from emission sources 2-90 and 3-90 by .33 tons per year total. DEFS noted this occurrence in its April 7, 2003 permit exceedance notification letter to the Department, its Title V annual compliance certification form (01/01/02 to 12/31/02), and its Title V semiannual compliance certification form (07/01/02 to 12/31/02).

D. Ada Refrigeration Unit--AI No. 27984; Permit No. 0360-00098-V0.

- (1) During the first two quarters of 2002, DEFS failed to (a) document a daily visual observation of the flare for the Ada Refrigeration Unit, Emission Point F-1, to ensure the continuous presence of a flame at the flare as required by Title V Air Permit No. 0360-00098-V0, (b) conduct reference method 22 to determine compliance of the flare for visible emissions as required under 40 CFR 60.18(f)(1), and (c) maintain records of when the flare pilot light does not have a flame, in accordance with 40 CFR 60.486(d)(4). DEFS noted these occurrences in its Title V semiannual compliance certification form (01/01/02 to 06/30/02).
- (2) During 2002, the flare for the Ada Refrigeration Unit, Emission Point F-1, did not meet the design requirements for flares provided in 40 CFR 60.18(c)(1). Further, DEFS may have failed to control the emission of smoke from such flare so that the shade of emission does not exceed 20% opacity in accordance with LAC 33:III.1105. DEFS noted these occurrences in its Title V annual compliance certification form (01/01/02 to 12/31/02) and its Title V semiannual compliance certification forms (01/01/02 to 06/30/02) and (07/01/02 to 12/31/02).

VI.

The Respondent owns and/or operates the Sonat 1-1 Compressor Station (Agency Interest No. 94747) located at 2335 Fal Road in Evans, Vernon Parish, Louisiana. The facility operates under Air Permit No. 2960-00125-00 issued on February 27, 2002. On or about February 16, 2004, an inspection of the Sonat 1-1 Compressor Station was conducted to determine the degree of compliance with the Act and Air Quality Regulations. While the Department's investigation is not yet complete, the following violations were noted during the course of the inspection:

A 210 bbl slop oil tank was onsite and in use at the facility. This tank is not a permitted emission point in the facility's current operating permit. The Respondent's failure to obtain a permit prior to the modification of the facility is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

VII

DEFS denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

VIII.

Nonetheless, DEFS, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of TWENTY-SIX THOUSAND SIXTY-SEVEN AND NO/100 (\$26,067.00) DOLLARS of which Three Hundred Seventy-Four and 25/100 (\$374.25) Dollars represents the Department's enforcement costs, in settlement of the claims set forth in this Settlement Agreement. The total amount of money expended by DEFS on cash payments to the Department as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

IX.

DEFS further agrees that the Department may consider the Compliance Order, the Referrals, and this Settlement Agreement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against DEFS, and in any such action DEFS shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged therein for the sole purpose of determining DEFS's compliance history. Further, the Department shall not be estopped from bringing an enforcement action if it later determines that an air pollution control device should have been installed at a facility.

X.

This Settlement Agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and DEFS hereby waives any right to administrative or judicial review of the terms of this Settlement Agreement, except such review as may be required for interpretation of this Settlement Agreement in any action by the Department to enforce this Settlement Agreement.

XI.

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in La. R. S. 30:2025(E).

XII.

Except as provided in Paragraph IX herein, this Settlement Agreement shall not constitute evidence of an admission or adjudication with respect to any allegations or findings of fact or conclusions of law of the Compliance Order or the Referrals or with respect to any matter alleged therein or arising in connection therewith.

XIII.

DEFS has caused a public notice advertisement to be placed in the official journal or newspaper of the parish governing authority in Union, Claiborne, Ouachita, Webster, Lincoln, DeSoto, Vernon and Bienville Parishes. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. DEFS has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XIV.

Payment is to be made within ten (10) days from DEFS's receipt of notice of the Secretary's signature. If payment is not received within that time, this Settlement Agreement is voidable at the option of the Department. Penalties are to be made payable to the Department of Environmental Quality and mailed to the attention of Darryl Serio, Office of Management and Finance, Financial

Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303.

XV.

This Settlement Agreement may be amended by mutual consent of the parties. Such amendments shall be in writing and shall have as their effective date the date on which they are signed by the Department.

XVI.

Except as otherwise provided herein, all submissions and notices required by this Settlement Agreement shall be sent to:

If to the Department:

Harold Leggett
Assistant Secretary
Office of Environmental Compliance
Louisiana Department of Environmental Quality
P. O. Box 4312
Baton Rouge, LA 70821-4312
Telephone: (225) 219-3700
Facsimile: (225) 219-3708

If to DEFS:

Joshua B. Epel
Assistant General Counsel
Duke Energy Field Services, LP
370 17th Street, Suite 2500
Denver CO 80202
Telephone: (303) 605-2160
Facsimile: (303) 605-2226

XVII.

In consideration of the above, any claims for penalties related to any allegations and/or findings of fact and/or conclusions of law of the Compliance Order and/or the Referrals are hereby compromised and settled in accordance with the terms of this Settlement Agreement.

compromised and settled in accordance with the terms of this Settlement Agreement.

XVIII.

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party and to legally bind such party to its terms and conditions.

DUKE ENERGY FIELD SERVICES, LP

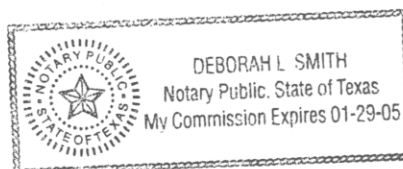
By: [Signature]

TITLE: OPERATIONS VICE PRESIDENT

THUS DONE AND SIGNED in duplicate original, before me, this 5th day of August, 2004, at Houston, Texas.

[Signature]
NOTARY PUBLIC (ID# _____)

DEBORAH SMITH
(Print or Type)



STATE OF LOUISIANA

Mike D. McDaniel, Ph.D., Secretary

By:

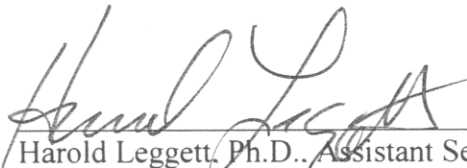

Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED, in duplicate original, before me, this 17th day of December, 2004, at Baton Rouge, La.


NOTARY PUBLIC (ID# 18675)

Christopher A. Rateliff
(Print or Type)

Approved:

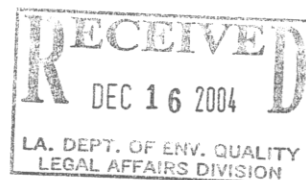

Harold Leggett, Ph.D., Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

December 13, 2004



Mr. Louis E. Buatt, General Counsel
La. Department of Environmental Quality
Legal Affairs Division
P.O. Box 4302
Baton Rouge, LA 70821-4302

Re: AG Review of DEQ Settlement;
Duke Energy Field Services, L.P. Multi-Parish
AE-CN-03-0052

Dear Mr. Buatt:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By:


CHARLES C. FOTI, JR.
Attorney General

CCF/mlc